

COMMERCIAL PROPERTY MARKET REVIEW

AUGUST 2022



CAUTION KEY IN Q2 RICS SURVEY

Macroeconomic pressures are negatively influencing investor sentiment, according to the latest Royal Institution of Chartered Surveyors (RICS) UK Commercial Property Survey, which signalled a more cautious tone in the commercial property market.

Rising interest rates remain a burden, with a net balance of -42% of respondents acknowledging worsening credit conditions in Q2. Indeed, +43% of respondents now sense the market is entering the early stages of a downturn, a finding replicated across all regions of the UK.

The survey also revealed a rise in vacant leasable space in both the office (+22%) and retail (+27%) sectors. Meanwhile, an aggregate net balance of +17% of respondents reported an increase in tenant demand during Q2.

Near-term rental growth expectations are still in positive territory (+14%), though eased slightly compared to Q1 (+19%). Twelve-month capital value expectations are almost flat, with the all-property average now at +3%, well below the Q1 reading of +24%.

SCOTLAND SKY-HIGH IN Q2

Investment in Scottish commercial property reached a four-year high in the first six months of 2022, according to a report by Colliers, which showed investors poured £1.3bn into the country.

Offices were the most popular asset class, taking £330m of investment in the second quarter of the year. This is 80% above the five-year quarterly average and was boosted by a few large transactions, notably the £215m sale of 177 Bothwell Street in Glasgow, believed to be Scotland's largest ever office transaction.

Another stand-out trend in the second quarter was the dominance of overseas investors. Indeed, cross-border capital accounted for 61% of all activity by value in Q2, one of the largest shares on record.

Responding to the figures, Director at Colliers, Patrick Ford commented, *"This year has been hard to predict [but] one thing is certain – there's a real appetite for large scale capital deployment in Scotland, regardless of sector."*

NEW SKYSCRAPER FOR LONDON

A new 285m (935ft) skyscraper could be coming to the City of London, with plans underway to build a 60-storey structure at 55 Bishopsgate.

If the plans come to fruition, the new giant will join London's 34 existing skyscrapers – defined as buildings over 150m tall – and stand only 25m short of the Shard, currently the UK's tallest building. Costing £600m, the project, which is being led by Schroders Capital, will produce 800,000 sq. ft of office space.

Sustainability is reportedly baked into the proposal. The skyscraper would be the UK's *'first all-electric tall building'*, according to a report from the Local Democracy Reporting Service (LDRS). The proposals also include plans to fit the building with energy-saving, light-responsive blinds.

The LDRS report notes that *'the slender tapering design seeks to make a positive contribution to the skyline by balancing the composition of existing and proposed nearby tall buildings.'* In any case, the project remains in its early stages, with obstacles such as the City's planning committee still to navigate.

COMMERCIAL PROPERTY CURRENTLY FOR SALE IN THE UK

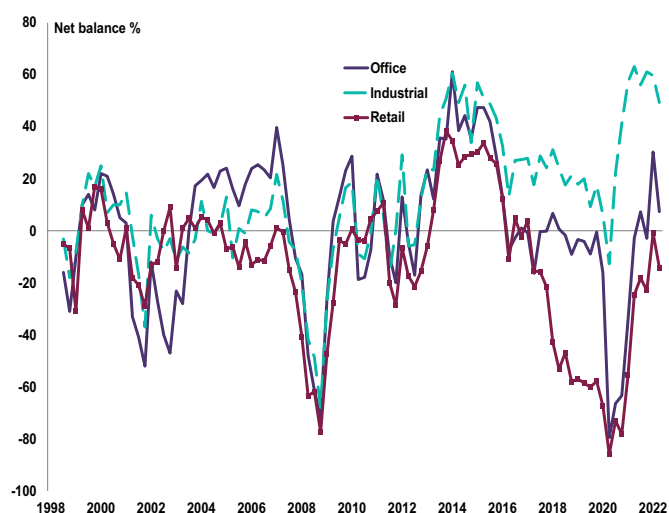
- **South West England** has the highest number of commercial properties for sale
- **Scotland** currently has **1,094** commercial properties for sale with an average asking price of **£338,512**
- There are currently **1,611** commercial properties for sale in **London**, the average asking price is **£1,445,910**.

REGION	NO. PROPERTIES	AVG. ASKING PRICE
LONDON	1,611	£1,445,910
SOUTH EAST ENGLAND	1,381	£692,214
EAST MIDLANDS	834	£990,989
EAST OF ENGLAND	887	£615,863
NORTH EAST ENGLAND	877	£316,653
NORTH WEST ENGLAND	1,449	£358,401
SOUTH WEST ENGLAND	1,640	£576,736
WEST MIDLANDS	1,106	£501,176
YORKSHIRE AND THE HUMBER	1,215	£325,317
ISLE OF MAN	53	£470,176
SCOTLAND	1,094	£338,512
WALES	826	£415,624
NORTHERN IRELAND	15	£429,880

Source: Zoopla, data extracted 18 August 2022

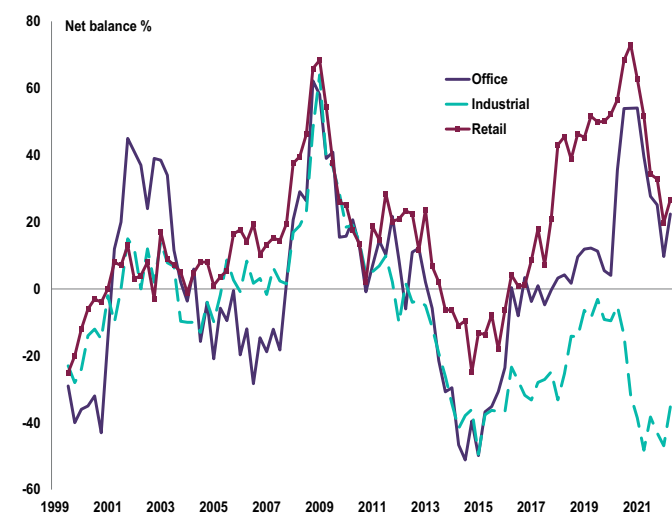
COMMERCIAL PROPERTY OUTLOOK

OCCUPIER DEMAND – BROKEN DOWN BY SECTOR



- A headline net balance of +17% of contributors reported a pick-up in overall tenant demand over Q2
- This is down from a figure of +32% in the previous quarter
- Tenant demand in the industrial sector remains high at +49%, although this is the least elevated figure since Q4 2020.

AVAILABILITY – BROKEN DOWN BY SECTOR



- Both the office and retail sectors continue to see a rise in vacant leasable space in Q2, returning net balances of +22% and +27% respectively
- For the industrial sector, supply remains tight, with the latest net balance coming in at -35%

Source: RICS, UK Commercial Property Market Survey, Q2 2022

All details are correct at the time of writing (18 August 2022)

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.